

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION
4

ORIGINAL

5 IN THE MATTER OF THE HEARING CALLED
6 BY THE OIL CONSERVATION DIVISION FOR
7 THE PURPOSE OF CONSIDERING:

CASE NO. 14445

8 APPLICATION OF SAN JUAN RESOURCES,
9 INC. FOR COMPULSORY POOLING AND AN
10 EXTENSION OF THE APD, SAN JUAN
11 COUNTY, NEW MEXICO.

12

13

14

REPORTER'S TRANSCRIPT OF PROCEEDINGS

15

EXAMINER HEARING

16

17

April 1, 2010
Santa Fe, New Mexico

18

19

BEFORE: WILLIAM B. JONES: Hearing Examiner
DAVID BROOKS: Legal Adviser

20

21

This matter came for hearing before the New Mexico
Oil Conservation Division, William B. Jones, Hearing
Examiner, on April 1, 2010, at the New Mexico Energy,
Minerals and Natural Resources Department, 1220 South St.
Francis Drive, Room 102, Santa Fe, New Mexico.

22

REPORTED BY: Peggy A. Sedillo, NM CCR No. 88
Paul Baca Court Reporters
500 Fourth Street, NW, Suite 105
Albuquerque, NM 87102

23

24

25

2010 APR 12 P 4:05
RECEIVED OCD

E X H I B I T S

Page

APPLICANT'S EXHIBITS:

Exhibits No. 1 - 5

6

Court Reporter's Certificate

8

A P P E A R A N C E S

FOR THE APPLICANT:

W. THOMAS KELLAHIN, ESQ.
Kellahin and Kellahin
706 Gonzales Road
Santa Fe, NM 87501

1 HEARING EXAMINER: Let's call Case No. 14445,
2 Application of San Juan Resources, Incorporated for
3 Compulsory Pooling and Extension of the APD, San Juan
4 County, New Mexico. Call for appearances.

5 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
6 the Santa Fe law firm of Kellahin and Kellahin appearing
7 this morning on behalf of the Applicant. We're presenting
8 this case by affidavit.

9 MR. KELLAHIN: With your permission,
10 Mr. Examiner, you're about to review five exhibits in this
11 case. The first exhibit is the affidavit of Mr. Jerry
12 McHugh. Mr. McHugh is the principal who is the owner of
13 San Juan Resources. His affidavit comports to the
14 requirements for filing an affidavit in a compulsory
15 pooling case.

16 At this point in time, Mr. McHugh has obtained
17 an approved APD. And when you turn finally to Exhibit
18 No. 5, I have given you a copy of the APD with the
19 approval and the notation that it expires June 14th of
20 this year. That's Exhibit 5. It's at the very end.

21 Mr. McHugh is in the process of consolidating
22 the interest owners in the spacing unit which would be the
23 east half of this section. In doing so, he's down to 12.6
24 percent uncommitted interest.

25 And he was unsuccessful in his efforts to get

1 those other people to participate so that we would have
2 time to process a compulsory pooling order. And there is
3 a possibility that that might not be completed with all
4 the notice to these parties that are pooled.

5 We're asking that you extend the termination
6 date or the expiration date for the APD to be a date
7 concurrent with the ending time period that you put in the
8 Compulsory Pooling Orders so the two can track together.
9 That addresses his concerns about the extension of the
10 APD.

11 When you look at the affidavit, Mr. McHugh has
12 attached to it a -- the first page after the affidavit is
13 an attachment that lists the interest owners and their
14 working percentage interest in the east half of
15 Section 24, and you'll see those various people.

16 MR. BROOKS: Where is this?

17 MR. KELLAHIN: The fourth page.

18 MR. BROOKS: Okay, that's Exhibit A?

19 MR. KELLAHIN: Yes, sir, Exhibit A to his
20 affidavit. There is one party for whom the title
21 examiners and the searchers could not find. It's Ethel
22 Hueter. They did the internet searchers, they did the
23 county courthouse searches, they have searched all
24 available means to find that party and cannot.

25 As a consequence, attached to the application is

1 Exhibit No. 2, which is my certificate of mailing of
2 notice for this hearing.

3 And following that is Exhibit No. 3, which is
4 the newspaper publication of notice that includes all of
5 the parties listed in the attachment we've just described,
6 including Ethel Hueter.

7 You'll note in reviewing this that the location
8 of this well is at an unorthodox location. So Exhibit
9 No. 4, for your reference, is a copy of the approval of
10 that unorthodox location. It's Order No. R13053.

11 Appended to Mr. McHugh's affidavit, he has gone
12 through and attached copies of all correspondence to all
13 these people, and in each instance, it includes an AFE.
14 It now has a total cost estimated to be \$932,000 and
15 change.

16 Mr. McHugh has also attested to the fact that
17 the current overhead charges that are applicable to this
18 wellbore are \$5,800 a month drilling, and that they
19 propose a producing well rate of \$580 a month.

20 The billing order would apply for all formations
21 from the base of the Picture Cliff down through the base
22 of the Dakota in the east half of Section 24.

23 With those comments, Mr. Examiner, that
24 concludes my presentation. We ask for the admission of
25 Exhibits 1 through 5.

1 HEARING EXAMINER: Okay, Exhibits 1 through 5
2 will be admitted. Doesn't that include the Basin-Mancos,
3 or is that not a -- which is -- that's between the PC and
4 the --

5 MR. KELLAHIN: It would be between those two
6 pool formations. His target formations are the Basin-
7 Dakota and the Mesa Verde.

8 HEARING EXAMINER: Okay. And do you ask for a
9 downhole commingle as part of this, or does he want to
10 work it through our district office, because this would be
11 preapproved.

12 MR. KELLAHIN: It's preapproved. I think you
13 just do it through the district office.

14 HEARING EXAMINER: Okay. Is the location the
15 same as it was during the nonstandard location?

16 MR. KELLAHIN: Yes, it's still the same.

17 HEARING EXAMINER: No change?

18 MR. KELLAHIN: No change.

19 HEARING EXAMINER: Okay.

20 MR. BROOKS: And the nonstandard location was
21 per the Hearing Order?

22 MR. KELLAHIN: Yes, sir, it was.

23 MR. BROOKS: And that's Exhibit 4. And this is
24 for a 320 acre unit, I assume?

25 MR. KELLAHIN: Yes, sir.

1 MR. BROOKS: That's the only size unit that's
2 involved?

3 MR. KELLAHIN: Yes, sir.

4 MR. BROOKS: Okay. And is the title the same as
5 to all the relevant formations?

6 MR. KELLAHIN: The east half of the section
7 consists of, I think, seven separate tracts, but
8 collectively, those owners would be the same within each
9 tract for all depths to be pooled. So when you do the
10 math, you get their percentage interest shown on the
11 spreadsheet.

12 MR. BROOKS: But it's the same for all
13 formations?

14 MR. KELLAHIN: It's the same.

15 MR. BROOKS: No differences --

16 MR. KELLAHIN: It wouldn't differ between the
17 Mesa Verde and the Dakota.

18 MR. BROOKS: Okay. Very good. I think that's
19 all I have. Thank you.

20 HEARING EXAMINER: Thank you very much. With
21 that, we'll take Case No. 14445 under advisement.

22 (Whereupon, the proceedings concluded.)

23

24

25

I hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14445,
heard by me on April 1, 2010.

David K. Brooks
Examiner

1 STATE OF NEW MEXICO)
) ss.
 2 COUNTY OF BERNALILLO)

3

4

5

REPORTER'S CERTIFICATE

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

I, PEGGY A. SEDILLO, Certified Court
 Reporter of the firm Paul Baca Professional
 Court Reporters do hereby certify that the
 foregoing transcript is a complete and accurate
 record of said proceedings as the same were
 recorded by me or under my supervision.

Dated at Albuquerque, New Mexico this
 9th day of April, 2010.

Peggy Sedillo
 PEGGY A. SEDILLO, CCR NO. 88
 License Expires 12/31/10